



March 23, 2001

ENGROSSED HOUSE BILL No. 1815

DIGEST OF HB 1815 (Updated March 22, 2001 10:41 AM - DI 73)

Citations Affected: IC 5-10.2; IC 33-14; noncode.

Synopsis: PERF and TRF. Provides a cost of living adjustment (COLA) in 2001 to members of the public employees' retirement fund (PERF) and members of the Indiana state teachers' retirement fund (TRF) (or their survivors or beneficiaries) who retired or were disabled before July 2, 1999. Provides a COLA in 2002 to members of PERF or TRF (or their survivors or beneficiaries) who retired or were disabled before July 2, 2000. Provides a supplemental "thirteenth check" benefit to retired teachers and certain retired public employees (or their survivors or beneficiaries) on November 1, 2001, and on November 1, 2002. Provides an additional cost of living adjustment (COLA) in 2001 and 2002 to retired or disabled members of PERF and TRF. Provides
(Continued next page)

Effective: July 1, 2001; January 1, 2002; July 1, 2002.

Tincher, Scholer, Leuck, Crosby

(SENATE SPONSORS — FORD, HUME, GARD, CRAYCRAFT)

January 17, 2001, read first time and referred to Committee on Ways and Means.
February 8, 2001, amended, reported — Do Pass.
February 12, 2001, read second time, ordered engrossed. Engrossed.
February 14, 2001, read third time, passed. Yeas 76, nays 2.

SENATE ACTION

February 27, 2001, read first time and referred to Committee on Pensions and Labor.
March 22, 2001, amended, reported favorably — Do Pass; reassigned to Committee on Finance.

C
o
p
y

EH 1815—LS 6544/DI 73+



that the additional COLA is equal to the amount necessary to provide: (1) members who retired or were disabled before July 2, 1978, with pension benefits having at least 70% of the purchasing power of the pension benefits received by those members when they first retired (payable in 2001); and (2) members who retired or were disabled before July 2, 1984, with pension benefits having at least 75% of the purchasing power of the pension benefits received by those members when they first retired (payable in 2002). Provides that a member of the public employees' retirement fund or the Indiana state teachers' retirement fund may change the allocation among available funds of the amount credited to the member's annuity savings account under rules established by the PERF board and the TRF board. Specifies that the PERF board and TRF board shall allow a member to make a selection or change any existing selection at least once each quarter. (Current law provides that the allocation may be changed only one time every 12 months.) Increases the percentages used in computing retirement benefits under the prosecuting attorneys retirement fund.

C
o
p
y



March 23, 2001

First Regular Session 112th General Assembly (2001)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2000 General Assembly.

ENGROSSED HOUSE BILL No. 1815

A BILL FOR AN ACT to amend the Indiana Code concerning pensions.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 5-10.2-2-3, AS AMENDED BY P.L.195-1999,
2 SECTION 9, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
3 JANUARY 1, 2002]: Sec. 3. (a) The annuity savings account consists
4 of:

- 5 (1) the members' contributions; and
- 6 (2) the interest credits on these contributions in the guaranteed
- 7 fund or the gain or loss in market value on these contributions in
- 8 the alternative investment program, as specified in section 4 of
- 9 this chapter.

10 Each member shall be credited individually with the amount of the
11 member's contributions and interest credits.

12 (b) Each board shall maintain the annuity savings account program
13 in effect on December 31, 1995 (referred to in this chapter as the
14 guaranteed program). In addition, the board of the Indiana state
15 teachers' retirement fund shall establish and maintain a guaranteed
16 program within the 1996 account. Each board may establish investment
17 guidelines and limits on all types of investments (including, but not

EH 1815—LS 6544/DI 73+



C
o
p
y

limited to, stocks and bonds) and take other actions necessary to fulfill its duty as a fiduciary of the annuity savings account, subject to the limitations and restrictions set forth in IC 5-10.3-5-3 and IC 21-6.1-3-9.

(c) Each board shall establish alternative investment programs within the annuity savings account of the public employees' retirement fund, the pre-1996 account, and the 1996 account, based on the following requirements:

(1) Each board shall maintain at least one (1) alternative investment program that is an indexed stock fund and one (1) alternative investment program that is a bond fund.

(2) The programs should represent a variety of investment objectives under IC 5-10.3-5-3.

(3) No program may permit a member to withdraw money from the member's account except as provided in IC 5-10.2-3 and IC 5-10.2-4.

(4) All administrative costs of each alternative program shall be paid from the earnings on that program.

(5) A valuation of each member's account must be completed as of the last day of each quarter.

(d) The board must prepare, at least annually, an analysis of the guaranteed program and each alternative investment program. This analysis must:

(1) include a description of the procedure for selecting an alternative investment program;

(2) be understandable by the majority of members; and

(3) include a description of prior investment performance.

(e) A member may direct the allocation of the amount credited to the member among the guaranteed fund and any available alternative investment funds, subject to the following conditions:

(1) A member may make a selection or change an existing selection ~~at any time, but not more than once in a twelve (12) month period.~~ **under rules established by each board. A board shall allow a member to make a selection or change any existing selection at least once each quarter.**

(2) The board shall implement the member's selection beginning the first day of the next calendar quarter that begins at least thirty (30) days after the selection is received by the board. This date is the effective date of the member's selection.

(3) A member may select any combination of the guaranteed fund or any available alternative investment funds, in ten percent (10%) increments.

(4) A member's selection remains in effect until a new selection



C
o
p
y

1 is made.

2 (5) On the effective date of a member's selection, the board shall
3 reallocate the member's existing balance or balances in
4 accordance with the member's direction, based on:

5 (A) for an alternative investment program balance, the market
6 value on the effective date; and

7 (B) for any guaranteed program balance, the account balance
8 on the effective date.

9 All contributions to the member's account shall be allocated as of
10 the last day of that quarter in accordance with the member's most
11 recent effective direction. The board shall not reallocate the
12 member's account at any other time.

13 (f) When a member who participates in an alternative investment
14 program transfers the amount credited to the member from one (1)
15 alternative investment program to another alternative investment
16 program or to the guaranteed program, the amount credited to the
17 member shall be valued at the market value of the member's
18 investment, as of the day before the effective date of the member's
19 selection. When a member who participates in an alternative
20 investment program retires, becomes disabled, dies, or suspends
21 membership and withdraws from the fund, the amount credited to the
22 member shall be the market value of the member's investment as of the
23 last day of the quarter preceding the member's distribution or
24 annuitization at retirement, disability, death, or suspension and
25 withdrawal, plus contributions received after that date.

26 (g) When a member who participates in the guaranteed program
27 transfers the amount credited to the member to an alternative
28 investment program, the amount credited to the member in the
29 guaranteed program is computed without regard to market value and is
30 based on the balance of the member's account in the guaranteed
31 program as of the last day of the quarter preceding the effective date of
32 the transfer. When a member who participates in the guaranteed
33 program retires, becomes disabled, dies, or suspends membership and
34 withdraws from the fund, the amount credited to the member shall be
35 computed without regard to market value and is based on the balance
36 of the member's account in the guaranteed program as of the last day
37 of the quarter preceding the member's distribution or annuitization at
38 retirement, disability, death, or suspension and withdrawal, plus any
39 contributions received since that date plus interest since that date.

40 SECTION 2. IC 5-10.2-5-31 IS ADDED TO THE INDIANA CODE
41 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY
42 1, 2001]: **Sec. 31. (a) The pension portion (plus postretirement**

C
o
p
y



increases to the pension portion) provided by employer contributions of the monthly benefit payable after June 30, 2001, to a member of the public employees' retirement fund or the Indiana state teachers' retirement fund (or to a survivor or beneficiary of a member of the public employees' retirement fund or the Indiana state teachers' retirement fund) who retired or was disabled:

(1) after July 1, 1984, and before July 2, 1999, shall be increased by two percent (2%);

(2) after July 1, 1976, and before July 2, 1984, shall be increased by three percent (3%); and

(3) before July 2, 1976, shall be increased by four percent (4%).

(b) The increases specified in this section:

(1) are based upon the date of the member's latest retirement or disability;

(2) do not apply to benefits payable in a lump sum; and

(3) are in addition to any other increase provided by law.

SECTION 3. IC 5-10.2-5-32 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 32. (a) The pension portion (plus postretirement increases to the pension portion) provided by employer contributions of the monthly benefit payable after June 30, 2002, to a member of the public employees' retirement fund or the Indiana state teachers' retirement fund (or to a survivor or beneficiary of a member of the public employees' retirement fund or the Indiana state teachers' retirement fund) who retired or was disabled:

(1) after July 1, 1984, and before July 2, 2000, shall be increased by two percent (2%);

(2) after July 1, 1976, and before July 2, 1984, shall be increased by three percent (3%); and

(3) before July 2, 1976, shall be increased by four percent (4%).

(b) The increases specified in this section:

(1) are based upon the date of the member's latest retirement or disability;

(2) do not apply to benefits payable in a lump sum; and

(3) are in addition to any other increase provided by law.

SECTION 4. IC 5-10.2-5-33 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 33. (a) In addition to any other cost of living provided



under this chapter, the pension portion (plus postretirement increases to the pension portion) provided by employer contributions of the monthly benefit payable after June 30, 2001, to a member of the public employees' retirement fund or the Indiana state teachers' retirement fund (or to a survivor or beneficiary of a member of the public employees' retirement fund or the Indiana state teachers' retirement fund) who retired or was disabled before July 2, 1978, shall be increased by the amount necessary to ensure that the purchasing power (as determined by the PERF or TRF board, based on changes in the consumer price index and postretirement increases to the pension portion) of the member's pension portion is at least equal to seventy percent (70%) of the purchasing power of the member's pension portion at the time the member retired, as determined on July 1, 2001.

(b) The increases specified in this section:

- (1) are based upon the date of the member's latest retirement or disability;
- (2) do not apply to benefits payable in a lump sum; and
- (3) are in addition to any other increase provided by law.

SECTION 5. IC 5-10.2-5-34 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 34. (a) In addition to any other cost of living provided under this chapter, the pension portion (plus postretirement increases to the pension portion) provided by employer contributions of the monthly benefit payable after June 30, 2002, to a member of the public employees' retirement fund or the Indiana state teachers' retirement fund (or to a survivor or beneficiary of a member of the public employees' retirement fund or the Indiana state teachers' retirement fund) who retired or was disabled before July 2, 1984, shall be increased by the amount necessary to ensure that the purchasing power (as determined by the PERF or TRF board, based on changes in the consumer price index and postretirement increases to the pension portion) of the member's pension portion is at least equal to seventy-five percent (75%) of the purchasing power of the member's pension portion at the time the member retired, as determined on July 1, 2002.

(b) The increases specified in this section:

- (1) are based upon the date of the member's latest retirement or disability;
- (2) do not apply to benefits payable in a lump sum; and
- (3) are in addition to any other increase provided by law.

SECTION 6. IC 33-14-9-14 IS AMENDED TO READ AS



FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 14. (a) This section does not apply to a participant who meets the requirements for disability benefits under section 15 of this chapter.

(b) Except as provided in subsections (c) and (d), the amount of the annual retirement benefit to which a participant who applies for a retirement benefit and who is at least sixty-five (65) years of age is entitled equals the product of:

- (1) the highest annual salary that was paid to the participant before separation from service; multiplied by
- (2) the percentage prescribed in the following table:

TABLE

Participant's Years of Service	Percentage
Less than 10	0
10	25% 30%
11	27.5% 33%
12	30% 50%
13	32.5% 51%
14	35% 52%
15	37.5% 53%
16	40% 54%
17	42.5% 55%
18	45% 56%
19	47.5% 57%
20 or more	50% 58%
21	59%
22 or more	60%

(c) If a participant who applies for a retirement benefit is not at least sixty-five (65) years of age, the participant is entitled to receive a reduced annual retirement benefit that equals the benefit that would be payable if the participant was sixty-five (65) years of age reduced by one-fourth percent (0.25%) for each month that the participant's age at retirement precedes the participant's sixty-fifth birthday.

(d) Benefits payable to a participant under this section are reduced by the pension, if any, that would be payable to the participant from the public employees' retirement fund if the participant had retired from the public employees' retirement fund on the date of the participant's retirement from the prosecuting attorneys retirement fund. Benefits payable to a participant under this section are not reduced by annuity payments made to the participant from the public employees' retirement fund.

(e) In the event benefits payable from the public employees'



retirement fund exceed the benefits payable from the prosecuting attorneys retirement fund, the participant is entitled at retirement to withdraw from the prosecuting attorneys retirement fund the total sum contributed plus interest at the rate of five and one-half percent (5.5%) compounded annually.

SECTION 7. [EFFECTIVE JULY 1, 2001] (a) As used in this SECTION, "fund" refers to the Indiana state teachers' retirement fund.

(b) The amount determined in the following STEPS shall be paid from the annuity reserve account of the fund on November 1, 2001, to any person who was a retired member (or to a survivor or beneficiary of a retired member) of the fund as of July 2, 2000, and who was entitled to receive a monthly benefit on October 1, 2001. The amount shall be paid in a single check. The amount is not an increase in the pension portion of the monthly benefit.

STEP ONE: Determine the difference between:

(A) the balance in the fund's retired teacher annuity reserve account as of June 30, 2000; and

(B) the computed liability of the annuity portion of the normal allowance for the retired members as of June 30, 2000.

STEP TWO: Multiply the STEP ONE result by ten percent (10%).

(c) The amounts distributed under subsection (b) shall be distributed to each retired member (or to the survivor or beneficiary of a retired member) who meets the requirements of subsection (b) in an amount determined under the following STEPS:

STEP ONE: Determine the sum of:

(A) the total number of years of creditable service (excluding creditable service under Acts 1965, c.410, s.4) in the fund of all retired members eligible to receive a portion of the distribution; plus

(B) the total number of years that all retired members who are eligible to receive a portion of the distribution have been retired.

STEP TWO: Determine the sum of:

(A) the eligible retired member's total number of years of creditable service (excluding creditable service under Acts 1965, c.410, s.4) in the fund; plus

(B) the total number of years since the eligible retired member retired from the last covered position held by the

C
o
p
y



1 member.
 2 **STEP THREE: Divide the amount determined in STEP TWO**
 3 **by the amount determined in STEP ONE.**
 4 **STEP FOUR: Multiply the amount determined in STEP**
 5 **THREE by the amount of the distribution under STEP TWO**
 6 **of subsection (b).**
 7 **STEP FIVE: Determine the greater of fifty dollars (\$50) or**
 8 **the amount determined in STEP FOUR.**

9 **(d) This SECTION expires December 1, 2001.**

10 **SECTION 8. [EFFECTIVE JULY 1, 2001] (a) As used in this**
 11 **SECTION, "fund" refers to the public employees' retirement fund,**
 12 **with respect to members (and survivors and beneficiaries of**
 13 **members) of that fund, and the excise police and conservation**
 14 **enforcement officers' retirement plan, with respect to members**
 15 **(and survivors and beneficiaries of members) of that fund.**

16 **(b) The amount determined in this SECTION shall be paid from**
 17 **the fund November 1, 2001, to any person who was a retired**
 18 **member (or to a survivor or beneficiary of a retired member) of**
 19 **the fund as of July 2, 2000, and who was entitled to receive a**
 20 **monthly benefit on October 1, 2001. The amount shall be paid in a**
 21 **single check. The amount is not an increase in the pension portion**
 22 **of the monthly benefit.**

23 **(c) The greater of the following shall be paid from the fund to a**
 24 **retired member (or to a survivor or beneficiary of a retired**
 25 **member) who meets the requirements of subsection (b):**

26 **(1) One hundred dollars (\$100).**

27 **(2) The amount determined as follows:**

28 **STEP ONE: Determine the product of twelve (12)**
 29 **multiplied by the pension portion (plus postretirement**
 30 **increases to the pension portion) provided by employer**
 31 **contributions of the monthly benefit payable the month**
 32 **before the payment is made under this SECTION to the**
 33 **member (or to a survivor or beneficiary of the member).**
 34 **STEP TWO: Multiply the amount determined in STEP**
 35 **ONE by the applicable percentage from the following**
 36 **table:**

37	Calendar Year of	Applicable
38	Last Retirement of Member	Percentage
39	1950 through 1974	6%
40	1975 through 1982	5%
41	1983 through 1987	4%
42	1988 through 1991	3%



1992 through 2000

2%

(d) This SECTION expires December 1, 2001.

SECTION 9. [EFFECTIVE JULY 1, 2002] (a) As used in this SECTION, "fund" refers to the Indiana state teachers' retirement fund.

(b) The amount determined in the following STEPS shall be paid from the annuity reserve account of the fund on November 1, 2002, to any person who was a retired member (or to a survivor or beneficiary of a retired member) of the fund as of July 2, 2001, and who was entitled to receive a monthly benefit on October 1, 2002. The amount shall be paid in a single check. The amount is not an increase in the pension portion of the monthly benefit.

STEP ONE: Determine the difference between:

(A) the balance in the fund's retired teacher annuity reserve account as of June 30, 2001; and

(B) the computed liability of the annuity portion of the normal allowance for the retired members as of June 30, 2001.

STEP TWO: Multiply the STEP ONE result by ten percent (10%).

(c) The amounts distributed under subsection (b) shall be distributed to each retired member (or to a survivor or beneficiary of a retired member) who meets the requirements of subsection (b) in an amount determined under the following STEPS:

STEP ONE: Determine the sum of:

(A) the total number of years of creditable service (excluding creditable service under Acts 1965, c.410, s.4) in the fund of all retired members eligible to receive a portion of the distribution; plus

(B) the total number of years that all retired members who are eligible to receive a portion of the distribution have been retired.

STEP TWO: Determine the sum of:

(A) the eligible retired member's total number of years of creditable service (excluding creditable service under Acts 1965, c.410, s.4) in the fund; plus

(B) the total number of years since the eligible retired member retired from the last covered position held by the member.

STEP THREE: Divide the amount determined in STEP TWO by the amount determined in STEP ONE.

STEP FOUR: Multiply the amount determined in STEP

C
O
P
Y



1 **THREE** by the amount of the distribution under **STEP TWO**
 2 **of subsection (b).**

3 **STEP FIVE: Determine the greater of fifty dollars (\$50) or**
 4 **the amount determined in STEP FOUR.**

5 **(d) This SECTION expires December 1, 2002.**

6 **SECTION 10. [EFFECTIVE JULY 1, 2002] (a) As used in this**
 7 **SECTION, "fund" refers to the public employees' retirement fund,**
 8 **with respect to members (and survivors and beneficiaries of**
 9 **members) of that fund, and the excise police and conservation**
 10 **enforcement officers' retirement plan, with respect to members**
 11 **(and survivors and beneficiaries of members) of that fund.**

12 **(b) The amount determined in this SECTION shall be paid from**
 13 **the fund November 1, 2002, to any person who was a retired**
 14 **member (or to a survivor or beneficiary of a retired member) of**
 15 **the fund as of July 2, 2001, and who was entitled to receive a**
 16 **monthly benefit on October 1, 2002. The amount shall be paid in a**
 17 **single check. The amount is not an increase in the pension portion**
 18 **of the monthly benefit.**

19 **(c) The greater of the following shall be paid from the fund to a**
 20 **retired member (or to a survivor or beneficiary of a retired**
 21 **member) who meets the requirements of subsection (b):**

22 **(1) One hundred dollars (\$100).**

23 **(2) The amount determined as follows:**

24 **STEP ONE: Determine the product of twelve (12)**
 25 **multiplied by the pension portion (plus postretirement**
 26 **increases to the pension portion) provided by employer**
 27 **contributions of the monthly benefit payable the month**
 28 **before the payment is made under this SECTION to the**
 29 **member (or to a survivor or beneficiary of the member).**

30 **STEP TWO: Multiply the amount determined in STEP**
 31 **ONE by the applicable percentage from the following**
 32 **table:**

Calendar Year of Last Retirement of Member	Applicable Percentage
1950 through 1975	6%
1976 through 1983	5%
1984 through 1988	4%
1989 through 1992	3%
1993 through 2001	2%

33
34
35
36
37
38
39
40 **(d) This SECTION expires December 1, 2002.**



COMMITTEE REPORT

Mr. Speaker: Your Committee on Ways and Means, to which was referred House Bill 1815, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill be amended as follows:

Page 1, between the enacting clause and line 1, begin a new paragraph and insert:

"SECTION 1. IC 5-10.2-2-3, AS AMENDED BY P.L.195-1999, SECTION 9, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2002]: Sec. 3. (a) The annuity savings account consists of:

- (1) the members' contributions; and
- (2) the interest credits on these contributions in the guaranteed fund or the gain or loss in market value on these contributions in the alternative investment program, as specified in section 4 of this chapter.

Each member shall be credited individually with the amount of the member's contributions and interest credits.

(b) Each board shall maintain the annuity savings account program in effect on December 31, 1995 (referred to in this chapter as the guaranteed program). In addition, the board of the Indiana state teachers' retirement fund shall establish and maintain a guaranteed program within the 1996 account. Each board may establish investment guidelines and limits on all types of investments (including, but not limited to, stocks and bonds) and take other actions necessary to fulfill its duty as a fiduciary of the annuity savings account, subject to the limitations and restrictions set forth in IC 5-10.3-5-3 and IC 21-6.1-3-9.

(c) Each board shall establish alternative investment programs within the annuity savings account of the public employees' retirement fund, the pre-1996 account, and the 1996 account, based on the following requirements:

- (1) Each board shall maintain at least one (1) alternative investment program that is an indexed stock fund and one (1) alternative investment program that is a bond fund.
- (2) The programs should represent a variety of investment objectives under IC 5-10.3-5-3.
- (3) No program may permit a member to withdraw money from the member's account except as provided in IC 5-10.2-3 and IC 5-10.2-4.
- (4) All administrative costs of each alternative program shall be paid from the earnings on that program.
- (5) A valuation of each member's account must be completed as

EH 1815—LS 6544/DI 73+



copy

of the last day of each quarter.

(d) The board must prepare, at least annually, an analysis of the guaranteed program and each alternative investment program. This analysis must:

- (1) include a description of the procedure for selecting an alternative investment program;
- (2) be understandable by the majority of members; and
- (3) include a description of prior investment performance.

(e) A member may direct the allocation of the amount credited to the member among the guaranteed fund and any available alternative investment funds, subject to the following conditions:

- (1) A member may make a selection or change an existing selection ~~at any time, but not more than once in a twelve (12) month period.~~ **under rules established by each board. A board shall allow a member to make a selection or change any existing selection at least once each quarter.**
- (2) The board shall implement the member's selection beginning the first day of the next calendar quarter that begins at least thirty (30) days after the selection is received by the board. This date is the effective date of the member's selection.
- (3) A member may select any combination of the guaranteed fund or any available alternative investment funds, in ten percent (10%) increments.
- (4) A member's selection remains in effect until a new selection is made.
- (5) On the effective date of a member's selection, the board shall reallocate the member's existing balance or balances in accordance with the member's direction, based on:
 - (A) for an alternative investment program balance, the market value on the effective date; and
 - (B) for any guaranteed program balance, the account balance on the effective date.

All contributions to the member's account shall be allocated as of the last day of that quarter in accordance with the member's most recent effective direction. The board shall not reallocate the member's account at any other time.

(f) When a member who participates in an alternative investment program transfers the amount credited to the member from one (1) alternative investment program to another alternative investment program or to the guaranteed program, the amount credited to the member shall be valued at the market value of the member's investment, as of the day before the effective date of the member's

C
o
p
y



selection. When a member who participates in an alternative investment program retires, becomes disabled, dies, or suspends membership and withdraws from the fund, the amount credited to the member shall be the market value of the member's investment as of the last day of the quarter preceding the member's distribution or annuitization at retirement, disability, death, or suspension and withdrawal, plus contributions received after that date.

(g) When a member who participates in the guaranteed program transfers the amount credited to the member to an alternative investment program, the amount credited to the member in the guaranteed program is computed without regard to market value and is based on the balance of the member's account in the guaranteed program as of the last day of the quarter preceding the effective date of the transfer. When a member who participates in the guaranteed program retires, becomes disabled, dies, or suspends membership and withdraws from the fund, the amount credited to the member shall be computed without regard to market value and is based on the balance of the member's account in the guaranteed program as of the last day of the quarter preceding the member's distribution or annuitization at retirement, disability, death, or suspension and withdrawal, plus any contributions received since that date plus interest since that date.

SECTION 2. IC 5-10.2-4-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JUNE 1, 2001]: Sec. 3. (a) Except as provided in subsection ~~(e)~~ **(f)**, in computing the retirement benefit for a nonteacher member, "average of the annual compensation" means the average annual compensation calculated using the twenty (20) calendar quarters of service in a position covered by the retirement fund before retirement in which the member's annual compensation was the highest. However, in order for a quarter to be included in the twenty (20) calendar quarters, the nonteacher member must have performed service throughout the calendar quarter. All twenty (20) calendar quarters do not have to be continuous but they must be in groups of four (4) consecutive calendar quarters. The same calendar quarter may not be included in two (2) different groups.

(b) This subsection does not apply to a teacher member described in subsection (c). In computing the retirement benefit for a teacher member, "average of the annual compensation" means the average annual compensation for the five (5) years of service before retirement in which the member's annual compensation was highest. In order for a year to be included in the five (5) years, the teacher member must have received for the year credit under IC 21-6.1-4-2 for at least one-half (1/2) year of service. The five (5) years do not have to be

C
o
p
y



continuous.

(c) **This subsection applies to a member of the Indiana state teachers' retirement fund who serves in an elected position for which the member takes an unpaid leave of absence. In computing the retirement benefit for a teacher member described in this subsection for years of service to which IC 21-6.1-5-7.5 does not apply, "average of the annual compensation" means the annual compensation for the one (1) year of service before retirement in which the member's annual compensation was highest. In order for a year to be used, the teacher member must have received for the year credit under IC 21-6.1-4-2 for at least one-half (1/2) year of service.**

(d) Subject to IC 5-10.2-2-1.5 "annual compensation" means:

(1) the basic salary earned by and paid to the member plus the amount that would have been part of that salary but for:

~~(1)~~ (A) the state's, a school corporation's, a participating political subdivision's, or a state educational institution's (as defined in IC 20-12-0.5-1) paying the member's contribution to the fund for the member; or

~~(2)~~ (B) the member's salary reduction agreement established under Section 125, 403(b), or 457 of the Internal Revenue Code; and

(2) in the case of a member described in subsection (c) and for years of service to which IC 21-6.1-5-7.5 does not apply, the basic salary that was not paid during the year but would have been paid to the member during the year under the member's employment contracts if the member had not taken any unpaid leave of absence to serve in an elected position.

The portion of a back pay award or a similar award that the board determines is compensation under an agreement or under a judicial or an administrative proceeding shall be allocated by the board among the years the member earned or should have earned the compensation. Only that portion of the award allocated to the year the award is made is considered to have been earned during the year the award was made. Interest on an award is not considered annual compensation for any year.

~~(d)~~ (e) Compensation of no more than two thousand dollars (\$2,000) received from the employer in contemplation of the member's retirement, including severance pay, termination pay, retirement bonus, or commutation of unused sick leave or personal leave, may be included in the total annual compensation from which the average of the annual compensation is determined, if it is received:



C
o
p
y

- (1) before the member ceases service; or
- (2) within twelve (12) months after the member ceases service.
- ~~(e)~~ **(f)** This section applies to a member of the general assembly:
 - (1) who is a participant in the legislators' retirement system established under IC2-3.5;
 - (2) who is also a member of the public employees' retirement fund or the state teachers' retirement fund; and
 - (3) whose years of service in the general assembly may not be considered in determining the average of the annual compensation under this section, as provided in IC 2-3.5-1-2(b)(2) or IC 2-3.5-3-1(c).

The board shall use the board's actuarial salary increase assumption to project the salary for any previous year needed to determine the average of the annual compensation."

Page 7, after line 20, begin a new paragraph and insert:

"SECTION 11. [EFFECTIVE JUNE 1, 2001] IC 5-10.2-4-3, as amended by this act, applies only to members of the Indiana state teachers' retirement fund who retire after May 31, 2001."

Renumber all SECTIONS consecutively.

and when so amended that said bill do pass.

(Reference is to HB 1815 as introduced.)

BAUER, Chair

Committee Vote: yeas 16, nays 4.

C
O
P
Y



COMMITTEE REPORT

Mr. President: The Senate Committee on Pensions and Labor, to which was referred House Bill No. 1815, has had the same under consideration and begs leave to report the same back to the Senate with the recommendation that said bill be AMENDED as follows:

Page 3, delete lines 40 through 42.

Delete page 4.

Page 5, delete lines 1 through 32.

Page 7, between lines 34 and 35, begin a new paragraph and insert:

"SECTION 7. IC 33-14-9-14 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 14. (a) This section does not apply to a participant who meets the requirements for disability benefits under section 15 of this chapter.

(b) Except as provided in subsections (c) and (d), the amount of the annual retirement benefit to which a participant who applies for a retirement benefit and who is at least sixty-five (65) years of age is entitled equals the product of:

- (1) the highest annual salary that was paid to the participant before separation from service; multiplied by
- (2) the percentage prescribed in the following table:

TABLE

Participant's Years of Service	Percentage
Less than 10	0
10	25% 30%
11	27.5% 33%
12	30% 50%
13	32.5% 51%
14	35% 52%
15	37.5% 53%
16	40% 54%
17	42.5% 55%
18	45% 56%
19	47.5% 57%
20 or more	50% 58%
21	59%
22 or more	60%

(c) If a participant who applies for a retirement benefit is not at least sixty-five (65) years of age, the participant is entitled to receive a reduced annual retirement benefit that equals the benefit that would be payable if the participant was sixty-five (65) years of age reduced by



C
o
p
y

one-fourth percent (0.25%) for each month that the participant's age at retirement precedes the participant's sixty-fifth birthday.

(d) Benefits payable to a participant under this section are reduced by the pension, if any, that would be payable to the participant from the public employees' retirement fund if the participant had retired from the public employees' retirement fund on the date of the participant's retirement from the prosecuting attorneys retirement fund. Benefits payable to a participant under this section are not reduced by annuity payments made to the participant from the public employees' retirement fund.

(e) In the event benefits payable from the public employees' retirement fund exceed the benefits payable from the prosecuting attorneys retirement fund, the participant is entitled at retirement to withdraw from the prosecuting attorneys retirement fund the total sum contributed plus interest at the rate of five and one-half percent (5.5%) compounded annually."

Page 11, delete lines 28 through 30.

Renumber all SECTIONS consecutively.

and when so amended that said bill be reassigned to the Senate Committee on Finance.

(Reference is to HB 1815 as printed February 9, 2001.)

HARRISON, Chairperson

Committee Vote: Yeas 10, Nays 0.

C
o
p
y

